Carbon and the trading of environmental commodities

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The carbon tax and international credits

Carbon credits are the newest commodity traded from Singapore. Their market rests on law, since a credit has value only to the extent that a regulator or a buyer's commitment recognises it. Singapore's carbon tax, introduced under the Carbon Pricing Act 2018, applies to facilities that emit at least 25,000 tonnes of carbon dioxide equivalent a year.[1] The rate was S$5 per tonne from 2019 to 2023, rose to S$25 in 2024 and to S$45 from 1 January 2026, with the aim of reaching S$50 to S$80 by 2030.[2]

The link to the trading of credits lies in the offset mechanism. Since 2024 taxable companies may use eligible international carbon credits to offset up to 5 per cent of their taxable emissions. Such credits must comply with the rules of Article 6 of the Paris Agreement and with principles of environmental integrity set by the government.[3] The design creates a domestic compliance demand for high-quality credits, which gives traders in Singapore a market close to home while connecting them with the voluntary market.

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Implementation agreements under Article 6

Article 6 of the Paris Agreement allows states to transfer mitigation outcomes among themselves, provided that the host state makes a corresponding adjustment to its own accounts so that the reduction is counted only once. Singapore has built a network of bilateral implementation agreements under this framework. The government lists six operational agreements, with Ghana, Bhutan, Peru, Rwanda, Thailand and Mongolia, under which projects may apply for authorisation. The Mongolian process opened on 30 October 2026.[4]

The network continues to grow. On 30 April 2026, during ASEAN Climate Week in Manila, Singapore signed an implementation agreement with the Philippines, the first such agreement for the Philippines. On 4 September 2026 it signed an agreement with the Lao People's Democratic Republic, which the government described as Singapore's twelfth implementation agreement and its fourth with a member state of ASEAN.[5] The agreements give the credits generated in partner states a legal status that credits from the voluntary market lack: they are authorised by the host state, recorded in national registries and adjusted in national accounts.

Exchanges, marketplaces and the trading community

Around this framework a community of carbon businesses has formed. Enterprise Singapore reported in 2023 that more than 100 companies were active in the carbon services sector, including the exchanges AirCarbon Exchange and Climate Impact X.[6] Climate Impact X was established in 2021 by DBS, the Singapore Exchange, Standard Chartered and Temasek to provide an exchange and a marketplace for high-quality credits.[7] The participants include project developers, brokers, verification bodies, rating agencies, registries and the environmental desks of commodity traders.

The commodity traders bring their skills to this new market. A carbon credit is a standardised unit, like a tonne of oil, but its value depends on attributes that require due diligence: the type of project, its vintage, the methodology, the risk of reversal and the authorisation of the host state. Traders who already manage quality, origin

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and documentary risk in physical commodities can apply the same disciplines to credits. They can also combine credits with physical cargoes, for instance by selling LNG with offsets attached, a practice that has drawn criticism when the quality of the credits was doubtful.

The legal character of carbon credits

The legal nature of a carbon credit is not settled in Singapore law. A credit is an entry in a registry, which may be held by a registry operator outside Singapore and governed by the operator's terms. Whether it constitutes property capable of being held on trust, charged as security or recovered in insolvency depends on the general law of property. The courts have addressed similar questions for crypto-assets, which Chapter K.I discusses. Market participants therefore rely on contractual documentation, often based on industry templates, to define the rights transferred.

For the financial centre, the question matters because banks will finance inventories of credits and accept them as collateral only if their legal status is clear. Chapter K.II examines the wider framework of sustainable finance in which the carbon market is embedded, including the taxonomy and the disclosure requirements.

Notes

1. Carbon Pricing Act 2018 (Act 23 of 2018), in force from 1 January 2019. ↩
2. National Climate Change Secretariat, "Carbon Tax" (nccs.gov.sg, accessed November 2026): facilities that "directly emit at least 25,000 tCO2e" of greenhouse gases annually are covered. National Climate Change Secretariat, "Carbon Tax" (above): S$5/tCO2e "for the first five years from 2019 to 2023"; S$25/tCO2e from 2024; "raised to S$45/tCO2e with effect from 1 Jan 2026"; aim of S$50–80/tCO2e by 2030. ↩
3. National Climate Change Secretariat, "Carbon Tax" (above): from 2024 companies may use international carbon credits to offset up to 5 per cent of their taxable emissions; "Eligible ICCs used under the carbon tax regime will

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need to comply with rules under Article 6 of the Paris Agreement" and meet seven principles demonstrating high environmental integrity. ↩

4. Singapore Carbon Markets Cooperation, website (carbonmarkets-cooperation.gov.sg, accessed November 2026), listing operationalised implementation agreements with Ghana, Bhutan, Peru, Rwanda, Thailand and Mongolia. Ministry of Energy, Trade and Industry, "Singapore and Mongolia to open application process for carbon credit projects under bilateral Implementation Agreement", 8 October 2026 (meti.gov.sg, accessed November 2026; the Ministry of Trade and Industry was renamed with effect from 1 October 2026, Prime Minister's Office, release of 22 July 2026, pmo.gov.sg): applications open from 30 October 2026; sixth agreement under which applications have been opened, after Ghana, Bhutan, Peru, Rwanda and Thailand. ↩

5. Ministry of Trade and Industry, "Singapore signs the Philippines' first Implementation Agreement on carbon credits collaboration under Article 6 of the Paris Agreement", 30 April 2026 (now hosted at meti.gov.sg, accessed November 2026): signed by Minister Grace Fu and DENR Secretary Juan Miguel T. Cuna during ASEAN Climate Week in Manila. Ministry of Trade and Industry (now Ministry of Energy, Trade and Industry), "Singapore and Lao People's Democratic Republic sign Implementation Agreement on carbon credits under Article 6 of the Paris Agreement", 4 September 2026 (meti.gov.sg, accessed November 2026): "This is Singapore's 12th Implementation Agreement on carbon credits collaboration", the fourth with an ASEAN Member State; signed by Minister Grace Fu. ↩

6. Lee Pak Sing (Enterprise Singapore), *The Business Times*, 4 September 2023, republished by JTC (above): Singapore "now has more than 100 of such companies", including the carbon exchanges ACX and Climate Impact X. ↩

7. Climate Impact X was announced in May 2021 as a joint venture of DBS, SGX, Standard Chartered and Temasek; see the joint press release of 20 May 2021. ↩

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